

**STATE OF ALABAMA
OFFICE OF THE STATE TREASURER
SAFE DIVISION**

COLLATERAL AGREEMENT

Purpose. The purpose of this Agreement is to secure public deposits pursuant to the Security for Alabama Funds Enhancement Act, Sections 41-14A-1, et seq., Code of Alabama 1975, as amended from time to time (hereinafter the "SAFE Act") and any and all rules and regulations promulgated by the SAFE Board of Directors to implement the SAFE Act, as amended from time to time (hereinafter the "SAFE Rules"); the SAFE Act and the SAFE Rules being referred to hereinafter as the "SAFE Program."

Definitions. Terms used herein shall have the definitions given them in Section 41-14A-2, Code of Alabama 1975, as amended from time to time, and the SAFE Rules.

Parties. The parties (hereinafter "Parties") to this agreement (hereinafter "Agreement") are the State Treasurer (hereinafter "Treasurer"), and _____ of _____, Alabama (hereinafter "Depository"), and _____ of _____ (hereinafter "Custodian").

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

- (1) Depository represents that it is authorized to receive or hold Public Deposits pursuant to the SAFE Act.
- (2) Custodian represents that it is a bank, savings association, or trust company that meets all legal requirements to be a Custodian and, is organized under Alabama law, or the laws of any other state of the United States, or of the United States, and that it has executed all forms required under the SAFE Program. Custodian hereby agrees to be subject to the jurisdiction of the courts of Alabama, or of the courts of the United States, which are located within Alabama, for the purpose of any litigation arising out of the SAFE Program, and represents that it has been approved by the Board to act as a Custodian. Custodian agrees to advise Treasurer of the receipt of Eligible Collateral (hereinafter "Collateral") as directed by Treasurer and will, at the request of Treasurer, segregate Collateral from other securities, if any, held by Custodian for the account of the Depository. Custodian is responsible and liable to Treasurer for any action of its agents used to hold and service Collateral.
- (3)
 - (a) Depository from time to time may substitute other Eligible Collateral (hereinafter "Collateral") for existing Collateral (hereinafter "Substitute Collateral") or increase the level of its Collateral deposit, unless prohibited by Treasurer. The Collateral and Substitute Collateral, less Collateral withdrawn with the consent of Treasurer, are hereinafter referred to as the "Pledged Collateral."
 - (b) A Depository may apply for approval from the Treasurer to use Federal Home Loan Bank Letters of Credit ("FHLB L/Cs") as Eligible Collateral by completing, signing and submitting a Federal Home Loan Bank Letters of Credit Application for Approval and Agreement Governing Use ("LC Application and Agreement"). If approved, the use of FHLB L/Cs as Eligible Collateral by Depository will be subject to all of the provisions, requirements, conditions, limitations and restrictions of the LC Application and Agreement, the SAFE Act and the SAFE Rules, as well as any additional requirements, conditions, limitations and restrictions prescribed by the Treasurer. No substitution of any FHLB L/C for any other Collateral shall be effective unless and until the Treasurer has received the properly executed FHLB L/C or approved amendment to an existing FHLB L/C complying with the requirements of paragraph (7) of Rule 892-X-1-19, the L/C Application and Agreement and this Agreement. No substitution, in whole or in part, of any Collateral for any FHLB L/C held by the Treasurer shall be effective unless and until the Custodian has acknowledged to the Treasurer in writing the Custodian's receipt of the substitute Collateral and the Treasurer has accepted the substitute Collateral as Eligible Collateral and, as applicable, returned the FHLB L/C to the Federal Home Loan Bank that issued it or accepted in writing the amendment to the FHLB L/C evidencing the corresponding reduction in the face amount of the FHLB L/C.
 - (c) The Pledged Collateral shall be held for the benefit of the Loss Payment Fund and all Pledged Collateral other than FHLB L/Cs shall be pledged to the State Treasurer.

- (4) Depository represents, warrants and covenants that at no time will the market value of the Pledged Collateral be less than the Depository's Required Collateral.
- (5) Depository will deliver to Custodian only Eligible Collateral.
- (6) Custodian shall have no responsibility to ascertain whether the market value and the amount of Pledged Collateral is equal to or greater than Depository's Required Collateral, nor whether the Pledged Collateral is comprised of Eligible Collateral.
- (7) Depository grants to Treasurer a security interest in Pledged Collateral (other than FHLB L/Cs, which will be issued directly to Treasurer). The security interest shall be deemed automatically perfected pursuant to the SAFE Act as of the date of the acceptance of the deposit of Collateral with the Custodian without the necessity of further action. Because FHLB L/Cs are issued to Treasurer as sole beneficiary thereof, the FHLB L/Cs are owned by Treasurer rather than owned by Depository and pledged to Treasurer.
- (8) Custodian shall hold Pledged Collateral for the benefit of Treasurer. Any Collateral so held will be described on safekeeping or trust receipts issued by Custodian (hereinafter "Receipts"), copies of which Custodian will forward to Treasurer. Such Receipts shall be deemed a part of this Agreement.
- (9) Depository shall not grant Custodian, and Custodian shall not accept, any lien attached to Pledged Collateral in favor of Custodian that is superior or equal to the security interest or other rights of Treasurer.
- (10) Depository and Custodian shall be bound by any provisions necessary for Treasurer to have a perfected security interest in all Pledged Collateral (other than FHLB L/Cs) and to recognize Treasurer's rights as sole beneficiary of any FHLB L/Cs used in connection with satisfying Depository's Collateral-Pledging Requirement.
- (11) Depository shall agree that Treasurer may, without notice to or consent by Depository, require Custodian to comply with and perform any and all written requests and orders directly from Treasurer. This shall include, but will not be limited to, liquidating all Collateral and submitting the proceeds directly to Treasurer in the name of Treasurer only, transferring all Collateral into an account designated solely by the Treasurer. Custodian shall comply with and perform any and all written requests and orders of the Treasurer.
- (12) Except in the case of any FHLB L/Cs and otherwise as necessary for Treasurer to enforce the security interest of the Treasurer, Depository shall not be deemed to have transferred ownership of any Pledged Collateral to Treasurer, but Depository's ownership of the Pledged Collateral shall be subject to a valid and enforceable lien and security interest in favor of the Treasurer. When a sale is made pursuant to the provisions of the SAFE Program and the purchase price paid, title to the securities sold will be transferred to the purchaser, and the purchaser is authorized to have the securities registered in the name of the purchaser or its nominee.
- (13) All interest, dividends, other income or principal payments from the Pledged Collateral (other than any FHLB L/Cs) shall be the property of the Depository and shall be payable thereto provided the Custodian has not received written notice from Treasurer to hold such payments for the benefit of Treasurer.
- (14) In accordance with the terms of the LC Application and Agreement, FHLB L/Cs, if approved for use by the Treasurer, shall be issued to and held by the Treasurer and proceeds received by or payable to the Treasurer upon any drawing under any FHLB L/Cs, shall be paid, as designated by the Treasurer, to the Treasurer for deposit to the Loss Payment Fund under the SAFE Program or shall be deposited with an independent custodian designated by the Treasurer (the "Treasurer's Designated Custodian") for such purpose.
- (15) Depository agrees to provide Treasurer immediate written notification of a pledge of Collateral or a substitution of Collateral.
- (16) Custodian shall permit Depository to substitute Collateral held by Custodian if the Depository certifies that the market value of the Substitute Collateral is equal to or greater than the market value of the Collateral to be withdrawn, provided Custodian has not received written notice from Treasurer prohibiting free substitution.
- (17) Custodian shall not permit Depository to withdraw or transfer Pledged Collateral without the prior written approval of Treasurer. Withdrawal transactions include maturity or call proceeds.
- (18) If Depository withdraws Collateral or Custodian permits withdrawal of Collateral in violation of the Safe Program,

the Depository or the Custodian, or both, shall be subject to the penalties provided in section 41-14A-7, Code of Alabama 1975, as amended.

(19) Depository shall deliver to Treasurer a certified Power of Attorney on a form supplied by Treasurer, bond assignment forms as required by the bond agent/trustee, supported by certified copies of resolutions adopted by the Depository's governing body authorizing execution of these documents, for each issue of Pledged Collateral registered in the name or nominee name of Depository.

(20) Custodian agrees to provide, at least quarterly or upon request from Treasurer, written confirmation of Pledged Collateral by each Depository. The confirmation shall be made within fifteen (15) business days of the request in a format approved by the Board and shall require no special identification other than the Depository name and location.

(21) Depository shall be responsible for all costs and expenses necessary to the functioning of the Agreement or associated with confirmation of Pledged Collateral to Treasurer and acknowledges that these costs and expenses shall not be a charge against the SAFE Program or Treasurer.

(22) Depository and Custodian are responsible and liable to Treasurer for any action of agents used to execute collateral transactions, submit reports, or to hold and service Pledged Collateral.

(23) Depository and Custodian agree that any information, forms, or reports electronically submitted to Treasurer pursuant to the SAFE Program shall have the same enforceability as a signed writing.

(24) If any portion of the Pledged Collateral Custodian holds for the benefit of the Treasurer constitutes physical securities, Treasurer shall have the right to examine such physical securities on site at any time during the regular business hours at the offices of the Custodian without cost to the Treasurer. In the ordinary course of business, the Custodian shall forward copies of its form of confirmation to the Treasurer and the Depository in connection with each deposit of collateral, substitution of collateral, or withdrawal of collateral. For any portion of the Pledged Collateral Custodian holds for the benefit of the Treasurer which does not constitute physical securities, Treasurer shall have the right to request printed copies of any of the records and information Custodian maintains electronically which are related to the Pledged Collateral.

(25) The responsibility of Custodian for the safekeeping of the Pledged Collateral shall be limited to the diligence and care usually exercised by a banking or trust institution toward its own property.

(26) Depository represents and warrants to Treasurer that this Agreement has been formally authorized, approved and adopted by its Board of Directors, that it constitutes an official record of the Depository, and that it shall be in continuous effect until rescinded in writing.

(27) Depository shall designate the person(s) who are empowered and authorized to represent and act on behalf of Depository in any and all matters of every kind arising under the Safe Program. The Authorized Representative(s) and Signature Certification is incorporated into this Agreement.

(28) All notices and communications provided for hereunder shall be in writing and addressed as follows:

- (1) If to the Treasurer:
SAFE Division
Office of State Treasurer
P.O. Box 302510
Montgomery, AL 36130-2510
Phone: (334) 242-7508 Fax: (334) 353-4354
E-mail: safe@treasury.state.al.us

- (2) If to the Depository:

(3) If to the Custodian:

[Remainder of this page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the date written below. This Agreement becomes effective when accepted and signed by the Treasurer.

Acknowledged and Agreed to:

DEPOSITORY and Seal _____

Signature of Authorized Officer

Signature of Authorized Officer

Printed Name

Printed Name

Title

Title

Date _____

Date _____

CUSTODIAN and Seal _____

Signature of Authorized Officer

Signature of Authorized Officer

Printed Name

Printed Name

Title

Title

Date _____

Date _____

STATE TREASURER and Seal

Signature of State Treasurer

Printed Name of State Treasurer

Date _____